

Lam Research Corporation Reports Financial Results for the Quarter Ended December 23, 2018

FREMONT, Calif., Jan. 23, 2019 (GLOBE NEWSWIRE) -- Lam Research Corporation (the "Company," "Lam," "Lam Research") today announced financial results for the quarter ended December 23, 2018 (the "December 2018 quarter").

Highlights for the December 2018 quarter were as follows:

- Revenue of \$2.52 billion.
- U.S. GAAP gross margin of 45.4%, U.S. GAAP operating income as a percentage of revenue of 27.4%, and U.S. GAAP diluted EPS of \$3.51.
- Non-GAAP gross margin of 46.3%, non-GAAP operating income as a percentage of revenue of 28.8%, and non-GAAP diluted EPS of \$3.87.

Key Financial Data for the Quarters Ended December 23, 2018 and September 23, 2018 (in thousands, except per-share data, percentages, and basis points)

U.S. GAAP

	December 2018				September 2018				Change Q/Q	
Revenue	\$	2,522,673			\$	2,330,691			+ 8	%
Gross margin as percentage of revenue		45.4	%			45.4	%		—	
Operating income as percentage of revenue		27.4	%			25.4	%		+ 200 bps	
Diluted EPS	\$	3.51			\$	3.23			+ 9	%

Non-GAAP

	December 2018				September 2018				Change Q/Q	
Revenue	\$	2,522,673			\$	2,330,691			+ 8	%
Gross margin as percentage of revenue		46.3	%			46.4	%		- 10 bps	
Operating income as percentage of revenue		28.8	%			27.0	%		+ 180 bps	
Diluted EPS	\$	3.87			\$	3.36			+ 15	%

U.S. GAAP Financial Results

For the December 2018 quarter, revenue was \$2,523 million, gross margin was \$1,145 million, or 45.4% of revenue, operating expenses were \$455 million, operating income was 27.4% of revenue, and net income was \$569 million, or \$3.51 per diluted share on a U.S. GAAP basis. This compares to revenue of \$2,331 million, gross margin of \$1,058 million, or 45.4% of revenue, operating expenses of \$466 million, operating income of 25.4% of revenue, and net income of \$533 million, or \$3.23 per diluted share, for the quarter ended September 23, 2018 (the "September 2018 quarter").

Non-GAAP Financial Results

For the December 2018 quarter, non-GAAP gross margin was \$1,167 million or 46.3% of revenue, non-GAAP operating expenses were \$440 million, non-GAAP operating income was 28.8% of revenue, and non-GAAP net income was \$628 million, or \$3.87 per diluted share. This compares to non-GAAP gross margin of \$1,081 million or 46.4% of revenue, non-GAAP operating expenses of \$451 million, non-GAAP operating income of 27.0% of revenue, and non-GAAP net income of \$555 million, or \$3.36 per diluted share for the September 2018 quarter.

"Lam delivered solid results in the December quarter, and concluded the 2018 calendar year with record revenue and earnings per share performance," said Timothy Archer, Lam Research's President and Chief Executive Officer. "While near-term market trends reflect adjustments after a period of tremendous growth in semiconductor demand, I am confident that our focus on Deposition and Etch technology leadership as well as growth in our installed-base business positions us well for the long term."

Balance Sheet and Cash Flow Results

Cash and cash equivalents, short-term investments, and restricted cash and investments balances remained steady at \$3.9 billion at the end of the December 2018 quarter as compared to the end of the September 2018 quarter. Cash flow generated by operating activities during the December 2018 quarter of \$642 million was primarily used for \$360 million of repayments on short-term borrowings; \$168 million of dividends paid to stockholders; and \$106 million of capital expenditures.

Deferred revenue and deferred profit at the end of the December 2018 quarter decreased to \$493 million and \$432 million, respectively, as compared to \$626 million and \$542 million, respectively, at the end of the September 2018 quarter. Lam's deferred revenue balance does not include shipments to customers in Japan, to whom title does not transfer until customer acceptance. Shipments to customers in Japan are classified as inventory at cost until the time of acceptance. The estimated future revenue from shipments to customers in Japan was approximately \$262 million as of December 23, 2018 and \$454 million as of September 23, 2018.

Geographic Distribution

The geographic distribution of revenue during the December 2018 quarter is shown in the following table:

Region	Revenue	
Japan	27	%
Korea	25	%
Taiwan	17	%
China	14	%

Southeast Asia	7	%
United States	5	%
Europe	5	%

Outlook

For the March 2019 quarter, Lam is providing the following guidance:

	U.S. GAAP								Reconciling Items					Non-GAAP						
Revenue	\$2.4 Billion		+/-		\$150 Million			—						\$2.4 Billion		+/-		\$150 Million		
Gross margin as a percentage of revenue		43.6	%	+/-		1	%		\$	22		Million			44.5	%	+/-		1	%
Operating income as a percentage of revenue	23.6		%	+/-	1		%		\$	34		Million			25.0	%	+/-	1		%
Net income per diluted share	\$3.21		+/-		\$0.20				\$	30		Million		\$3.40			+/-	\$0.20		
Diluted share count	159 Million							—						159 Million						

The information provided above is only an estimate of what the Company believes is realizable as of the date of this release, and does not incorporate the potential impact of any business combinations, asset acquisitions, divestitures, restructuring, balance sheet valuation adjustments, financing arrangements, other investments, or other significant transactions that may be completed after the date of this release. U.S. GAAP to non-GAAP reconciling items provided include only those items that are known and can be estimated as of the date of this release. Actual results will vary from this model and the variations may be material. Reconciling items included above are as follows:

- Gross margin as a percentage of revenue - amortization related to intangible assets acquired through business combinations, \$22 million.
- Operating income as a percentage of revenue - amortization related to intangible assets acquired through business combinations, \$34 million.
- Earnings per share - amortization related to intangible assets acquired through business combinations, \$34 million; amortization of note discounts, \$1 million; and associated tax benefit for non-GAAP items (\$5 million); totaling \$30 million.

Use of Non-GAAP Financial Results

In addition to U.S. GAAP results, this press release also contains non-GAAP financial results. The Company's non-GAAP results for both the December 2018 and September 2018 quarters exclude amortization related to intangible assets acquired through business combinations, restructuring charges, amortization of note discounts, tax benefit of non-GAAP items, and estimated income tax impacts associated with U.S. tax reform. Additionally, the December 2018 quarter non-GAAP results exclude income tax benefit on the conclusion of tax matters related to a prior business combination.

Management uses non-GAAP gross margin, operating expense, operating income, net income, and net income per diluted share to evaluate the Company's operating and financial results. The Company believes the presentation of non-GAAP results is useful to investors for analyzing business trends and comparing performance to prior periods, along with enhancing investors' ability to view the Company's results from management's perspective. Tables presenting reconciliations of non-GAAP results to U.S. GAAP results are included at the end of this press release and on the Company's website at <http://investor.lamresearch.com>.

Caution Regarding Forward-Looking Statements

Statements made in this press release that are not of historical fact are forward-looking statements and are subject to the safe harbor provisions created by the Private Securities Litigation Reform Act of 1995. Such forward-looking statements relate to, but are not limited to: the estimated future revenue from shipments to customers in Japan; the timing and amount of revenue and profit earned from any booked deferred revenue and profit; market trends and semiconductor demand; our technology leadership; our installed base growth; our long term positioning; technology demand trends; the legal and business factors that may affect our future tax rate; our engineering capabilities; our commitment to customer success; our continued ability to accelerate innovation and enhance device performance; and our guidance for revenue, gross margin, operating income (both as a dollar value and a percentage of revenue), net income or earnings per diluted share, and diluted share count. Some factors that may affect these forward-looking statements include: business, political and/or regulatory conditions in the consumer electronics industry, the semiconductor industry and the overall economy may deteriorate or change; and the actions of our customers and competitors may be inconsistent with our expectations, as well as the other risks and uncertainties that are described in the documents filed or furnished by us with the Securities and Exchange Commission, including specifically the Risk Factors described in our annual report on Form 10-K for the fiscal year ended June 24, 2018 and our quarterly report on Form 10-Q for the fiscal quarter ended September 23, 2018. These uncertainties and changes could materially affect the forward looking statements and cause actual results to vary from expectations in a material way. The Company undertakes no obligation to update the information or statements made in this release.

About Lam Research

Lam Research Corporation is a global supplier of innovative wafer fabrication equipment and services to the semiconductor industry. As a trusted, collaborative partner to the world's leading semiconductor companies, we combine superior systems engineering capability, technology leadership, and unwavering commitment to customer success to accelerate innovation through enhanced device performance. In fact, today, nearly every advanced chip is built with Lam technology. Lam Research (Nasdaq: LRCX) is a FORTUNE 500® company headquartered in Fremont, Calif., with operations around the globe. Learn more at www.lamresearch.com. (LRCX-F)

Consolidated Financial Tables Follow.

LAM RESEARCH CORPORATION CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (in thousands, except per share data and percentages) (unaudited)

Three Months Ended					Six Months Ended				
December 23,		September 23,		December 24,	December 23,				

	2018				2018				2017				2018			
Revenue	\$ 2,522,673				\$ 2,330,691				\$ 2,580,815				\$ 4,853,364			
Cost of goods sold	1,377,640				1,272,493				1,375,248				2,650,133			
Gross margin	1,145,033				1,058,198				1,205,567				2,203,231			
Gross margin as a percent of revenue	45.4		%		45.4		%		46.7		%		45.4		%	
Research and development	285,556				291,672				281,311				577,228			
Selling, general and administrative	169,098				174,775				186,885				343,873			
Total operating expenses	454,654				466,447				468,196				921,101			
Operating income	690,379				591,751				737,371				1,282,130			
Operating income as a percent of revenue	27.4		%		25.4		%		28.6		%		26.4		%	
Other expense, net	(30,649		)		(377		)		(3,152		)		(31,026)	
Income before income taxes	659,730				591,374				734,219				1,251,104			
Income tax expense	(90,875		)		(58,014		)		(744,174		)		(148,889)	
Net income (loss)	\$ 568,855				\$ 533,360				\$ (9,955)				\$ 1,102,215			
Net income (loss) per share:																
Basic	\$ 3.67				\$ 3.43				\$ (0.06)				\$ 7.10			
Diluted	\$ 3.51				\$ 3.23				\$ (0.06)				\$ 6.73			
Number of shares used in per share calculations:																
Basic	155,022				155,658				161,135				155,340			
Diluted	162,170				165,327				161,135				163,749			
Cash dividend declared per common share	\$ 1.10				\$ 1.10				\$ 0.50				\$ 2.20			

LAM RESEARCH CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

				December 23, 2018						September 23, 2018				June 24, 2018				
				(unaudited)						(unaudited)				(1)				
ASSETS																		
Cash and cash equivalents				\$	3,359,793						\$	2,568,085				\$	4,512,257	
Investments				275,670				1,050,863				437,338						
Accounts receivable, net				1,868,842				1,846,845				2,176,936						

Amortization of note discounts and issuance costs	1,031			1,245			4,539			2,276			9,127
Other, net	(1,343	)		2,191			(1,108	)		848			5,460
Changes in operating assets and liabilities	(67,521	)		136,843			184,684			69,322			277,000
Net cash provided by operating activities	642,419			720,286			28,704			1,362,705			887,000
CASH FLOWS FROM INVESTING ACTIVITIES:													
Capital expenditures and intangible assets	(105,923	)		(56,098	)		(84,693	)		(162,021	)		(144,000)
Business acquisition, net of cash acquired	—			—			(84	)		—			(115,000)
Net sale (purchases) of available-for-sale securities	773,223			(612,583	)		(205,701	)		160,640			(323,000)
Other, net	(369	)		(3,650	)		(4,396	)		(4,019	)		(14,500)
Net cash provided by (used for) investing activities	666,931			(672,331	)		(294,874	)		(5,400	)		(598,000)
CASH FLOWS FROM FINANCING ACTIVITIES:													
Principal payments on debt	(6,440	)		(79,831	)		(47,522	)		(86,271	)		(349,000)
Net (repayments) proceeds from issuance of commercial paper	(359,518	)		(86	)		798,947			(359,604	)		798,000
Proceeds from borrowings on revolving credit facility	—			—			750,000			—			750,000
Repayments of borrowings on revolving credit facility	—			—			(750,000	)		—			(750,000)
Treasury stock purchases	(1,519	)		(1,735,895	)		(1,111,450	)		(1,737,414	)		(1,260,000)
Dividends paid	(167,907	)		(174,372	)		(73,127	)		(342,279	)		(145,000)
Reissuance of treasury stock related to employee stock purchase plan	32,920			—			34,057			32,920			34,000
Proceeds from issuance of common stock	109			—			3,073			109			4,110

Amortization related to intangible assets acquired through certain business combinations - cost of goods sold	22,342				22,342				22,342				22,342				89,368	
Amortization related to intangible assets acquired through certain business combinations - selling, general and administrative	12,490				12,490				16,069				17,074				58,123	
Restructuring charges - selling, general and administrative	2,356				3,417				—				—				5,773	
Business combination acquisition and integration related costs - selling, general and administrative	—				—				728				107				835	
Amortization of note discounts - other expense, net	886				900				1,851				2,860				6,497	
Realized loss on sale or impairment of investments - other expense, net	—				—				—				46,641				46,641	
Net income tax benefit on non-GAAP items	(5,704		)		(5,838		)		(4,686		)		(11,518		)		(27,746
Income tax benefit on the conclusion of certain tax matters	(1,635		)		—				(9,656		)		(4,511		)		(15,802
Income tax expense (benefit) associated with U.S. tax reform	28,606				(11,211		)		(115,838		)		—				(98,443
Non-GAAP net income	\$	628,196			\$	555,460			\$	931,956			\$	851,795			\$	2,917
Non-GAAP net income per diluted share	\$	3.87			\$	3.36			\$	5.31			\$	4.79			\$	17.00
GAAP net income per diluted share	\$	3.51			\$	3.23			\$	5.82			\$	4.33			\$	17.00
U.S. GAAP number of shares used for per diluted share calculation	162,170				165,327				175,432				179,779				170,677	
Effect of potential dilutive securities:																		
Effect of convertible	—				—				—				(1,993)		(498	

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Reconciliation of U.S. GAAP Gross Margin, Operating Expenses and Operating Income to Non-GAAP Gross Margin, Operating Expenses and Operating Income
(in thousands, except per ce)

	Three Months Ended						
	December 23, 2018				September 23, 2018		
U.S. GAAP gross margin	\$ 1,145,033				\$ 1,058,198		
Pre-tax non-GAAP items:							
Amortization related to intangible assets acquired through certain business combinations	22,342				22,342		
Non-GAAP gross margin	\$	1,167,375			\$	1,080,540	
U.S. GAAP gross margin as a percentage of revenue	45.4		%		45.4		%
Non-GAAP gross margin as a percentage of revenue	46.3		%		46.4		%
U.S. GAAP operating expenses	\$ 454,654				\$ 466,447		
Pre-tax non-GAAP items:							
Amortization related to intangible assets acquired through certain business combinations	(12,490)				(12,490)		
Restructuring charges	(2,356 )		)		(3,417))
Non-GAAP operating expenses	\$ 439,808				\$ 450,540		
U.S. GAAP operating income	\$	690,379			\$	591,751	
Non-GAAP operating income	\$ 727,567				\$ 630,000		
U.S. GAAP operating income as percent of revenue	27.4		%		25.4		%
Non-GAAP operating income as a percent of revenue	28.8		%		27.0		%



<https://newsroom.lamresearch.com/2019-01-23-Lam-Research-Corporation-Reports-Financial-Results-for-the-Quarter-Ended-December-23,-2018>